



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

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5/26/99

May 26, 1999

Mr. Clyde Slaugh
Daggett County Road Dept.
P.O. Box 219
95 North 100 West
Manila, UT 84046

RE: Mineral Lease ML 46149-Clay

T3N, R20E, SLBM Daggett County
Section 29: Lot 2 (SE4NE4) 35.16 acres

Dear Mr. Slaugh,

Thank you for providing a certified property survey of the Daggett County shale pit, located south of Manila. The survey confirms my suspicion that the shale pit operated by Daggett County in Section 29 lies within the SW4NE4. The problem is that ML 46149, issued to Daggett County Road Dept. on November 1, 1993, covers only Lot 2 (SE4NE4).

It is my understanding that, in 1993, Daggett County approached the Division of State Lands & Forestry about obtaining a mineral lease upon the shale pit in Section 29. Reportedly, the pit was previously opened up and used in trespass by the Utah Department of Transportation and the U.S. Forest Service. The lease application filed by Daggett County's James M. Briggs on October 6, 1993, was incomplete as to the legal subdivision within Section 29. Jerry Mansfield of the Division of State Lands & Forestry wrote-in "Lot 2", and the acreage, on the application and returned it to Mr. Briggs for his concurrence. Mr. Briggs initialed the changes and returned the application to Mr. Mansfield. The application was subsequently approved by the Director as to Section 29, Lot 2 (35.16 acres), on November 1, 1993. Apparently, both Mr. Briggs and Mr. Mansfield failed to recognize the true location of the shale pit and the lease was consequently issued on the wrong lands. The Trust Lands Administration cannot approve your mining and reclamation plan for the SW4SE4 of Section 29 until this problem is resolved.

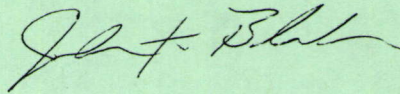
One possible remedy is for Daggett County and the Trust Lands Administration to formally amend the legal description of ML 46149 from Lot 2 to the SW4SE4. The annual lease rental would increase from \$36.00 to \$40.00.

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Prior to entering such an amendment of ML 46149, however, an accurate accounting must be made of the total quantities of materials removed from the shale pit by Daggett County. Please submit a year by year accounting of the total quantities of materials removed, along with the gross values assigned to the materials, f.o.b. the mine, and the amounts of royalty paid to the state. Once I receive a copy of your production and accounting record I will try and reconcile it with the records of the Trust Lands Administration. Once the account is reconciled I will prepare and send a lease amendment to Daggett County Road Dept. to correct the legal description of ML 46149. Once the Director and the County Commission approves the lease amendment I will approve your mining and reclamation plan for the SW4SE4 of Section 29.

Please contact me if you have any questions or wish to provide me with any additional information in this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "John T. Blake", written in a cursive style.

John T. Blake
Mineral Resources Specialist

cc: Tom Faddies
Ron Carlson
Tony Gallegos